

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on May 17, 2012

COMMISSIONERS PRESENT:

Garry A. Brown, Chairman
Patricia L. Acampora
Maureen F. Harris
Robert E. Curry, Jr.
James L. Larocca

CASE 11-G-0543 – In the Matter of the Commission’s Examination of the Criteria for Interruptible Gas Service.

ORDER DIRECTING CERTAIN UTILITIES
TO SUBMIT TARIFF AMENDMENTS

(Issued and Effective May 23, 2012)

BY THE COMMISSION:

BACKGROUND

On September 29, 2010, E. Tetz & Sons, Inc. (Tetz) requested a waiver of Orange and Rockland Utility, Inc.’s (O&R) interruptible gas service requirements that it maintain an alternate fuel supply during the entire winter heating season despite the fact that its business was seasonal in nature. On September 21, 2011, we issued an Order¹ in Case 10-G-0482 granting Tetz relief from having to maintain a full alternate fuel supply during the part of the season when they shut down operations. In the Tetz Order, we initiated an examination by Staff of interruptible gas tariffs of the New York utilities to determine if there was a need for more uniformity among the utilities’ interruptible gas tariff provisions.

¹ Case 10-G-0482, Petition of E. Tetz & Sons, Inc for a Waiver of Tariff Provisions Pursuant to Sections 65 and 66 of the Public Service Law, Order Directing a Limited Waiver and Initiating New Proceeding (issued September 21, 2011) (Tetz Order).

Interruptible gas service allows utilities to meet their peak demands in a least cost manner. Customers choosing interruptible service² stipulate that they will switch to an alternate fuel during times of peak gas demand or when otherwise called upon by the utility because of the utility's need for system relief. In exchange for providing such system relief, interruptible customers receive a lower gas rate. Failure to interrupt when called upon can cause system problems which may impact reliability for firm customers.

The existing utility interruptible rules were last examined generically as a result of events that occurred for a few weeks during January and February, 2000, when New York experienced extremely cold weather. This period of sustained cold followed several years of warmer winters that had resulted in infrequent calls for interruption, providing interruptible customers with a false sense of security about the possibility of winter interruptions. The result of the calls in January 2000 for interruptions showed that many of the interruptible customers were unprepared. Customers either failed to interrupt at all or were caught without sufficient alternate fuel to last the duration of the interruption forcing them to attempt to purchase alternate fuel on the already constrained distillate fuel³ market.

² Interruptible customers can fall into one of three categories: basic interruptible customers, who can be interrupted on short notice at the option of the company and for as long as needed; temperature controlled (TC) customers, who are automatically switched to alternate fuel when the temperature falls below a certain level; and contract customers, who generally have the largest load and title to gas supplies and contracts for firm upstream capacity.

³ Distillate includes diesel, kerosene and No. 2 fuel oil. This market had become constrained due to low levels of inventory in terminals, a switch to last minute inventory practices by oil suppliers and frigid weather that iced over transportation channels.

After reviewing the events of the winter 2000, we issued an Order in Case 00-G-0996⁴ directing New York's gas utilities to file revised interruptible tariffs establishing specific rules for alternate fuel capacity that would ensure enhanced system reliability. The state's gas utilities all filed revisions to their interruptible tariffs consistent with the determinations set forth in our Interruptible Gas Service Order.

SUMMARY OF COMMENTS

A Notice Soliciting Comments was issued on December 14, 2011 which included a set of 12 questions asking the utilities about their current interruptible service and what improvements, if any, could be made. Responses were submitted by all of New York State's 11 largest gas utilities and by Consumer Power Advocates.⁵

In their responses to questions asked in the December 14, 2011, Notice, the utilities all discuss how they should continue to be allowed to provide individualized solutions to meet Commission policies governing interruptible service. Con Edison and O&R argue that there is no reasonable basis for requiring uniformity among utility

⁴ Case 00-G-0996, In the Matter of Establishment of Criteria for Interruptible Gas Service, Order Directing Utilities to file Revised Interruptible Gas Service Tariffs (issued August 24, 2000) (Interruptible Gas Service Order). Subsequently, we issued Orders on January 31, 2001 and on October 17, 2001 modifying, in minor ways, our Interruptible Gas Service Order.

⁵ The 11 largest gas utilities in NY include: Central Hudson Gas and Electric Corporation. (Central Hudson), Consolidated Edison Company of New York, Inc. (Con Edison), Corning Gas, Keyspan Gas East Corp. (KEDLI), Brooklyn Union Gas Corp. (KEDNY), National Fuel Gas Distribution Corporation. (NFG), New York State Electric & Gas Corp. (NYSEG), Niagara Mohawk Power Corp. d/b/a National Grid (NIMO), Orange and Rockland Utilities, Inc. (O&R), Rochester Gas and Electric Corporation (RG&E), and St. Lawrence Gas Company, Inc. Consumer Power Advocates is an association of large, non-profit universities and medical institutions whose primary goal is to decrease the cost of energy to consumers through regulatory intervention, advocacy and development of energy efficiency and economic development targeted at large energy consumers of New York City. All comments received are summarized more completely in the attached Appendices.

interruptible tariffs. They state that if changes are directed, those changes should only be aimed at reinforcing and strengthening the terms and conditions of interruptible service that are critical to the utilities' ability to provide safe, reliable and cost-effective service to its firm gas customers. These two utilities also suggest that the Commission consider allowing them to eliminate interruptible gas service and/or provide greater flexibility in interruptible gas pricing in order to maximize revenues for the benefit of firm gas customers.

National Grid highlights the difficulty of getting incremental volumes into the New York City area. It also states how only in limited circumstances do they allow an interruptible customer's standby fuel requirements be waived. Central Hudson, NFG and NYSEG also submitted comments. No additional issues were raised by these parties that were not addressed in the other utility submittals.

Consumer Power Advocates commented that uniformity of tariff provisions for interruptible service is not necessary due to the unique circumstances each gas utility faces. Things such as differing distribution constraints, supply contracts, capacity costs and opportunities as well as varied weather conditions throughout the state warrant unique design and operation of each utility system.

DISCUSSION AND CONCLUSION

We find that New York State's gas utilities are generally in compliance with existing rules. With the exception of RG&E, New York's gas utilities offer Interruptible service as an option for its gas customers.⁶ Basic requirements, such as the requirement that the interruptible customer maintain an inventory of alternate fuel, a communications protocol in place for announcing an interruption and penalties being applied for non-compliance, are all present at the various utilities. While this general uniformity exists, the individual details regarding these requirements and other matters do differ between utilities. Rates are individually set for each utility and reflect the

⁶ Rochester Gas and Electric Corporation has dual fuel, but no interruptible customers.

uniqueness of the different company distribution systems. For example, certain provisions regarding quantity of back-up fuel and the availability of shut down options in lieu of back-up fuel supply differ from company to company.

We also find that there appears to be a difference between upstate and downstate utilities in both the frequency of interruptions being called and the degree of customer compliance. Although no actual interruptions were called by the downstate National Grid companies during the past few years, its temperature-controlled customers were affected more than once when the temperature reached the point when fuel switching devices were supposed to be activated. Many customers were in violation of the tariff when they did not switch to their alternate fuel.⁷ This issue was specific to National Grid and did not apply to Con Edison or the other utilities in New York State.

Another difference between the two segments of the state has to do with the difficulty of the utilities' ability to serve firm customers when an interruption is called. In contrast to the upstate utilities, downstate utilities have more frequent pipeline capacity constraints and low distribution system pressures which are only exacerbated when customers fail to interrupt their service when called. Additionally, we anticipate that such constraints and system pressure issues will worsen when the full impact of New York City's restriction on use of #4 and #6 fuel oil is realized on the city's gas distribution systems because of customer conversions to gas.

Interruptible service is critical for the operation of the utility system. When operated properly, such service lowers costs to all customers by eliminating the need to hold additional capacity that having those customers would require if they received firm service. Interruptible customers also provide a benefit to the utility by helping level out the usage pattern during non-peak demand periods, since many of these customers have

⁷ See Case 11-G-0411, Filing by Brooklyn Union Gas Company to amend and clarify the requirements and procedures for customer taking service under SC No. 5A, 6C, 6G, 6M and 18, and Case 11-G-0412, Filing by Keyspan Gas East Corp. to amend and clarify the requirements and procedures for customers taking service under SC No. 4, 7, 12 and 13.

process driven operations which are not weather dependent, unlike heating load. Therefore, despite the request from Con Edison and O&R, an interruptible gas service option should not be taken away from customers who currently have that choice. Changes to the pricing of interruptible service can be examined and discussed for each utility as a part of rate cases and should not be done outside of those proceedings.

Operational Shut-Down Alternative

In the Tetz Order, we ordered O&R to allow an interruptible customer relief from maintaining a full alternate fuel supply during the part of the heating season that they shut down operations. In our experience, this case of shutting down operations for only a portion of the heating season is somewhat unique. We addressed Tetz' situation by providing a partial waiver of the rules for this particular interruptible customer whose business consists of process operations that are weather dependent and result in a period of operational shut-down during the winter season.

The general concept of shutting down operations only during periods of interruptions, however, is a different issue than the one we explored in Tetz. Such an immediate shut-down of operations, in lieu of maintaining back-up fuel, could be applied to interruptible customers who can withstand a temporary halt in operations. If any customer would have the intent to shut down its operations when an interruption were called in lieu of maintaining back-up fuel, it would need to submit an affidavit attesting to its intentions before being relieved from back-up fuel requirements.

We stress that it is critical that interruptible customers refrain from using gas during interruptions. The means to achieve compliance can be accomplished by either switching to the alternate fuel or shutting down operations. Although O&R and Con Edison did not offer a shut down option prior to the decision in Case 10-G-0482 without the installation of an automatic shut-off valve at customer expense, both NYSEG and the National Grid companies do.⁸

⁸ Central Hudson agreed to offer this option in its comments to this case.

Based on our review, we believe that the option to provide an affidavit stating the desire to shut down operations in lieu of maintaining a full alternate fuel supply should be made available by all gas utilities in New York, but only made available to process load customers whose operations can quickly shut down in response to a called interruption.⁹ This option will provide the customer with the ability to save on its alternate fuel costs, while also giving the utility the promise of compliance in times of interruptions. Such customers as schools, human needs customers and electric generators, among others, would not be eligible. All existing rules regarding non-compliance would remain in effect, and in addition to the penalty for continuing to use gas during an interruption, the customer would also be responsible for the utility's cost to manually shut that customer down if the customer failed to cease using gas voluntarily.

Communications

Both of the Con Edison and National Grid downstate systems include a combination of interruptible and temperature-controlled customers. The unique nature of the temperature-controlled customers is handled through both remote and non-remote systems which control the customer's equipment when temperature thresholds are reached. Traditional interruptible customers are handled through non-remote systems in a manner similar to those at other New York gas utilities.

Our review reveals that that the communication protocols of both New York City utilities are not consistent for similarly situated customers, marketers and alternate fuel suppliers. It appears to us that improvements should be made in how the message to interrupt is being communicated to the customers and involved parties.

Although not all gas utilities use the same method, there should be a minimum communication standard applied for all gas utilities. This minimum standard

⁹ In a situation like that of Tetz, where a customer intends to continue operating during interruptions, but then shuts down operations completely for a portion of the winter season, we believe that such customers should follow the Tetz model of requesting a waiver so that an evaluation can be done of the seasonal nature of the customer's business operations.

must include maintaining multiple contact sources for each customer and that messages be sent through some combination of mediums, including, but not limited to; telephone, email, fax, text message and other social media options. Additionally, other affected parties must also be a part of the notification process. Parties can vary among the different service areas, but must include third party natural gas suppliers, New York State Energy Research and Development Authority (NYSERDA) and the various Oil Associations in New York so that the infrastructure that is required for the alternate fuel supply can also be ready to act when an interruption is called.

Finally, each utility should provide to Staff a copy of the letter that it sends to “alert their interruptible customers of the potential need to replenish oil storage inventories whenever accumulated gas service interruptions exceed a total of 5 days prior to February 15.”¹⁰ Although the use of this letter is not anticipated to be that frequent, based on the criteria set in establishing its existence, it is important that all gas utilities be prepared to send it if necessary. The form letter should be presented to the Gas Policy and Supply staff annually as a part of its winter supply review.

Based on comments received from the parties and our review of the utilities’ experiences in providing interruptible gas in New York State, with the exception of the affidavit and communication protocol issues, we find that the remaining aspects of interruptible service should continue to be addressed through those utilities’ individualized requirements within the constraints of Commission policy established in our Orders.

The Commission orders:

1. Central Hudson Gas and Electric Corporation., Consolidated Edison Company of New York, Inc. and Orange and Rockland Utilities, Inc. are directed to file

¹⁰ Case 00-G-0996, In the Matter of Criteria for Interruptible Gas Service, Order Concerning Interruptible Gas Sales and Transportation Service, at p.4 (issued November 4, 2003).

tariff amendments on not less than 30 day's notice to become effective July 1, 2012, making an affidavit option available to its interruptible gas customers who choose to shut down operations during critical periods in lieu of maintaining a full alternate fuel supply inventory.

2. Each gas utility listed in the body of this Order is directed to review its current communications with interruptible customers and file needed tariff amendments and Operating Procedures changes, on not less than 30 days notice to become effective July 1, 2012, that will ensure a uniform protocol is used that employs multiple sources of contact and various media outlets to distribute its messages to customers, NYSERDA, Energy Service Companies and the Oil Associations.

3. The requirements of Section 66(12)(b) of the Public Service Law, as to newspaper publication of the amendments directed in Clause Nos. 1 and 2 are waived;

4. With the two exceptions highlighted above, gas utilities should retain individualized design and rates for interruptible service.

5. Rochester Gas and Electric shall be exempt from the changes to interruptible service since it does not offer that service.

6. The Secretary is authorized to extend the deadlines set forth in this order.

7. This proceeding is continued.

By the Commission,

(SIGNED)

JACLYN A. BRILLING
Secretary

A Notice Soliciting Comments was issued on December 14, 2011, which included 12 questions about current interruptible gas service.

Questions:

Q1. Does your utility currently have interruptible customers? If so, please list the number of customers, the service class(es) and alternative fuel(s). If not, please indicate whether you have ever had interruptible customers and what led to the environment where they no longer exist.

Q2. Does your utility require interruptible customers to have and maintain a backup fuel? If so, what quantity of backup fuel is required in your tariff leaves? How much of that backup fuel is required to be located on premises? If not, what other means does the utility use to enforce curtailment when an interruption is called?

Q3. Please explain how your tariff leaves conform to Commission orders on backup fuel requirements for interruptible customers.

Q4. Do your tariff leaves have a provision allowing a customer to provide an affidavit in lieu of keeping backup fuel tanks full, as described in the August 2000 Order? If so, what customers are eligible to file affidavits?

Q5. Does your utility perform checks of the backup fuel tank? If so, when and at what intervals? If not, how does the utility know if the customer has complied?

Q6. Explain the series of events used by the utility when an interruption is called. For example, include such steps as how and when the information is relayed to the customer; how and when the company identifies that a customer is not in compliance. What contact information is obtained from the customer at the time of application for use prior to an interruption? Please provide a copy of the application showing the request for this information.

Q7. List all interruptions called during the last three years and a list of how many customers were not in compliance during each of those interruptions. For each interruption, provide its duration and cause (e.g., pipeline OFO, severe weather, etc.) and the number of customers who were penalized for non-compliance along with the associated penalty for each penalized customer. It is not necessary to identify individual customers in your response.

Q8. Please describe what requirements regarding backup fuel are waived for certain customers and not others, and why those waivers are allowed.

Q9. Please describe how your utility's gas supply situation has changed in the last ten years, and whether you feel the backup fuel requirements for interruptible customers are more or less important than they were ten years ago.

Q10. Please describe any reliability issues during peak day on your utility's system that requires more or less stringent backup fuel requirements for interruptible customers.

Q11. Please describe any customer types for which your utility would feel more comfortable waiving certain backup fuel requirements.

Q12. What customers should be eligible to file an affidavit in lieu of filling fuel tanks? Please specify customer type (residential, commercial or industrial), service classification, customer load, SIC code, or any other clarifying criteria.

Responses and Comments:

Consolidated Edison and Orange and Rockland Utilities
(submitted January 13, 2012)

Q1. Consolidated Edison (Con Ed) has 940 interruptible customers. 385 are interruptible sales, served under SC No. 12. 555 are interruptible transportation, served under SC No. 9. All but two use alternate fuel oil as a backup. The remaining two use electric as a backup.

Orange and Rockland (O&R) has 93 interruptible transportation customers and no interruptible sales. 92 are served under SC No. 8, of which 90 use fuel oil as backup and 2 use propane. 1 interruptible customer is an electric generator and is served under SC No. 9.

Q2. Con Ed requires interruptible customers to have a backup fuel supply reserves of various lengths.

- a 7-day reserve for Temperature Controlled human needs or distillate fuel customers.
- a 10-day reserve for interruptible notification / off-peak firm human needs or distillate fuel customers.
- a 5-day reserve for power generation, contract interruptible or off-peak firm industrial distillate fuel customers.
- a reserve level acceptable to company for other interruptible / off-peak firm customers.

Customers can meet back-up fuel requirements through combination of on-site storage and contract with alternate fuel supplier. Customers who commence service after November 1, 2001 must have at least three days of on-site storage based on winter peak usage. Enforcement of interruptions is done through a combination of financial penalties and removal from interruptible service. Customers who fail to comply with two interruptions in a winter period will be transferred to firm service for the remainder of that winter and the twelve succeeding months.

O&R requires a ten day supply of alternate fuel for distillate and human needs customers. The ten day reserve can be met with combination of on-site storage and a contract with alternate fuel supplier. Customers who commence service after December 1, 2001 must have at least three days of on-site storage based on customer's winter peak requirements. Electric Generators must have a five day reserve of alternate fuel. Interruptions are enforced through a combination of financial penalties and removal from interruptible service similar to Con Ed.

Q3. The joint response stated that leaves were filed and approved pursuant to the August 2000 Order and that the Commission has not made changes to its policies since that would require a change to the companies tariffs. (NOTE: be sure and discuss the Tetz Order affidavit issue in body of memo)

Q4. Each of the companies' gas tariffs offers a shut-off valve alternative to reserve requirement options. Requests for exemption are considered on a case-by-case basis.

Q5. Con Ed does not perform periodic tests of the backup fuel tank. Instead, it conducts an annual interruption test at the beginning of the winter period. O&R performs annual inspections of backup fuel tanks for approximately 60% of its interruptible load, in addition to the interruption test at the beginning of the winter period.

Q6. Con Ed notifies gas marketers, DPS staff, and oil associations when an interruption is called. Customers are notified via telephone and fax, as well as email and text message when available. Pre-season communications testing is done. The tariff provides for a minimum of six (6) hours notice for an interruption. Post interruption, the company will review usage data for non-compliance to ensure customers received advanced notification. Unauthorized usage data is posted within 5 business days and a letter is sent to non-compliant customer. A September pre-season letter is mailed to all interruptible and off-peak firm customers reminding them of their responsibilities during the winter season.

O&R notifies gas marketers and customers via email and/or telephone when an interruption has been called. Pre-season communications testing is done. A minimum of four (4) hours notification is given for an interruption. Meter reads are done to verify whether a customer is still burning gas and customers are notified if they are in violation.

Q7. Con Ed had seven interruptions during 2008/09. Two of those lasted at least 48 hours. A total of 250 customers were in violation. Six interruptions were called in 2009/10. Two lasted at least 48 hours. There were 117 customers in violation. Four interruptions were called during 2010/11. One lasted at least 48 hours. 75 customers were in violation.

O&R called two interruptions during 2008/09. One lasted for two days. A total of 58 customers were non-compliant. No interruptions were called in 2009/10. Two interruptions were called during 2010/11 which both were two days in length. Nine customers were in violation.

Q8. Neither utility waives backup fuel requirements. On a case-by-case basis, requests for exemption from reserve requirements for customers that elect to shut down operations during critical periods will be considered.

Q9. Con Ed and O&R have a shared supply portfolio and have collectively experienced growth in firm load peak demand. To meet increased demand the companies have contracted for additional pipeline capacity, storage and peaking contracts. No capacity in excess of design peak day demand exists in the portfolio and there is a higher reliance on peaking contracts to meet firm peak demands today than there was ten years ago. With increased demand from oil conversions the need for increased peaking contracts will continue to grow.

Q10. During peak winter conditions, Con Ed's gas distribution system would not be able to supply gas to all firm customers if interruptible customers remained in service. The requirement that interruptible customers maintain backup fuel capability would make it more likely that those customers switch to alternate fuel when notified. O&R's system is less constrained today than it was ten years ago although supply interruptions can pose a significant risk to firm customer service, and, therefore, compliance with calls for interruptions remain critical. At this time, the companies do not see the need to make backup fuel requirements more stringent, but reserves the right to propose such changes in the future.

Q11. The companies do not waive their tariff provisions.

Q12. Customers have the option to file an affidavit for a shut-off valve option in lieu of maintaining a full reserve supply, but must also comply with other tariff criteria. The companies will evaluate such requests on a case-by-case basis, but makes this option available only to customers who can demonstrate the ability to shut down operations during an interruption.

In addition to answering the twelve questions, the companies also stated that the focus of the inquiry into this proceeding be on firm customers from both a reliability and cost standpoint. It suggests that the Commission consider utility-specific proposals to either eliminate interruptible service and/or provide greater flexibility in interruptible gas pricing in order to maximize revenues from interruptible gas service to the benefit of the firm gas customers.

Reply comments were submitted on January 30, 2012 in which the companies emphasized earlier comments regarding the uniqueness of utilities systems and the lack of a need for greater uniformity on interruptible services. The companies also caution the Commission to avoid changes to interruptible service that would directly or indirectly compromise electric system reliability. Finally the argument is made that no evidence exists proving that modifications are being sought or needed.

National Grid (Including Keyspan Gas New York (KEDNY), Keyspan Gas Long Island KEDLI) and Niagara Mohawk Power Corporation (NMPC))
(submitted January 13, 2012)

Q1. KEDNY non-firm customers include six Non-Core interruptible, 3,392 Temperature Controlled and three Electric Generators. These customers rely on No. 2, 4 or 6 Oil as an alternate fuel. KEDLI has 141 interruptible sales, six interruptible transportation, 171 Temperature controlled sales and ten electric generators who use No. 2 oil as an alternate fuel. NMPC has 20 interruptible transportation and eight negotiated transportation customers who use a combination of oil, propane, diesel or kerosene as an alternate fuel.

Q2. KEDNY, KEDLI and NMPC require the majority of its interruptible customers to maintain a ten day supply of alternate fuel through a combination of on-site and replenishment arrangements with a supplier. Electric generators are required to have a five day standby fuel on hand. Customers can request relief from this requirement if they agree to shut down operations during periods of interruptions.

Q3. The companies' tariffs comply with Commission orders on backup fuel requirements for interruptible customers by the ten day rule and the ability for a customer to meet that level with a combination of on-site and replenishment arrangements with a supplier. It also requires customers permit access by the company at all times to the customer's premises for purpose of inspection, testing and measurement of dual fuel equipment.

Q4. All of the companies' non-firm tariffs allow for the customer to submit in writing that it will discontinue operations during period of interruptions in lieu of maintaining a full backup fuel tank.

Q5. KEDNY and KEDLI perform annual tests of all non-firm customers' capability to switch-over to its alternate fuel. Site visits are done when a customer fails the initial test. NMPC sends forms to its interruptible customers each year that verify which fuel will be used as an alternative, what the customer's fuel source storage capacity requirements are, and how those requirements will be met.

Q6. For the temperature controlled customers on the KEDNY and KEDLI system, when a designated temperature at Central Park is reached, the automatic equipment will switch-over to the alternate fuel while the semi-automatic equipment will activate an alarm at the customer's site notifying that a switch to the alternate fuel should be done manually. When temperatures are forecast to reach the designated temperatures, and when peaking supplies are called on, the companies will attempt to contact the TC customers to let them know of the need to switch to alternate fuel. Interruptible customers will be given up to two hours notification of the need to interrupt service, when peaking supplies are needed to protect the reliability of the system for its firm customers.

If an issue, or potential issue, on the system requires an interruption, NMPC's customer representatives will notify the customers that must be interrupted to minimize the potential disruption of service to the firm customers.

Q7. KEDNY and KEDLI had no interruptions from 2009 to 2011. During that time, however, numerous customers failed the testing that is done at the beginning of each heating season. On 1/4/12 an interruption was called on the system in which 25 KEDLI and 31 KEDNY customers failed to switch to their alternate fuel.

NMPC had an interruption from 1/29/10 – 1/31/10 in which two customers were in violation. Another interruption was called on 1/21/11 – 1/24/11 in which only one customer was in violation. Two more customers were non-compliant during the 2/9/11 – 2/10/11 interruption on the NMPC system.

Q8. The companies' tariffs allow for waivers of the standby fuel requirements under limited circumstances. An example is a customer that has an undersized backup fuel tank can request a waiver if it stipulates in writing that it will shut down operations during periods of interruptions.

Q9. While new and prolific supply basins are now accessible to the companies, the challenge continues to be getting incremental load into the "last mile" into the companies' distribution system. It is imperative that non-firm customers maintain backup fuel requirements.

Q10. If the companies were to experience a peak day on their system, all supplies in the gas portfolio would be needed to serve customer demand on that day and there would be no excess supply available to serve non-firm customers. The companies could support less stringent backup fuel requirements for customers served directly from the companies' transmission system. The distribution system, however, has limited capacity and is more prone to system reliability issues during peak load periods.

Q11. The companies' believe that power generation customers should not be subject to backup fuel requirements and currently require that remotely operated valves be installed on these customer's service laterals. The companies' would also support a waiver of backup fuel requirements for IT process load customers whose operations could be shut down during periods of peak load.

Q12. The companies' believe that commercial/industrial and non-human needs customers who can clearly demonstrate the ability to cease operations during periods of interruption should be eligible to file an affidavit. Customers with seasonal operations would be especially good candidates.

National Fuel Gas Distribution

Q1. The company currently has two interruptible customers. One is interruptible sales with No. 2 oil as a backup fuel. The other is transportation that also uses No. 2 oil as a backup.

Q2. Interruptible customers are required to have installed equipment capable of providing a suitable backup energy supply or alternate fuel capability. Customers that use distillate fuel oil as their alternate fuel source must be contractually and physically capable of withstanding an interruption, or maintain alternate fuel supply of ten days usage. The ten days can be met with a combination of on-site storage capacity and a showing that firm arrangements have been made to replenish during winter periods.

Q3. The tariff conforms to requirements included in Commission's August 24, 2000 order as described in answer to question 2.

Q4. The customer shall demonstrate its compliance with this requirement upon the request of the company.

Q5. Annual on-site inspections are made by company personnel prior to each heating season. Both visual inspection of the oil level and confirmation of agreement with alternate fuel supplier is done during that visit. The company will also monitor customer usage via telemetering on a daily basis.

Q6. The company will call for an interruption when aggregate demand of firm customers, or confined segment of the system, exceeds, or threatens to exceed, gas supply or capacity available to meet demand. At least a 4 hour notice will be provided and is done via telephone, fax, electronic data interchange, or by other reasonable means.

Q7. No delivery service interruptions were called during the past three years.

Q8. The company has not waived backup fuel requirements.

Q9. The company believes its backup fuel and supply delivery requirements for interruptible customers are as important today as they were ten years ago.

Q10. The company sees no need to modify its backup fuel requirements.

Q11. The company sees no need to waive its backup fuel requirements.

Q12. The company sees no need to allow affidavits in lieu of filling fuel tanks.

Iberdrola USA (for New York State Electric and Gas Corporation (NYSEG) and Rochester Gas and Electric Corporation (RG&E))

RG&E does not offer interruptible service, so questions are not applicable to RG&E.

Q1. NYSEG has 42 interruptible customers (sales and transportation) that use a combination of No. 2, 4 and 6 oil, propane, wood chips, waste oil and coal as an alternate fuel source.

Q2. Distillate users and human needs customers are required to maintain a ten day supply of backup fuel. This can be done through a combination of on-site storage and verification of alternate fuel supply other than spot market purchases.

Q3. The tariff conforms to the Commission orders by requiring the interruptible customer have an alternate source of fuel, and that this requirement can be waived by written permission of the company. The company reserves the right to perform on-site inspections of the customers facilities.

Q4. Distillate fuel customers are eligible to provide an affidavit in lieu of keeping backup fuel tanks full.

Q5. At least 65% of customers in the Goshen and Oneonta Divisions who have No. 2 fuel oil as their alternative, and at least 30% of the customers with No. 2 fuel oil in each of the other divisions are checked on an annual basis. This is done during the fall.

Q6. After the need to interrupt is determined, interruptible customers are contacted by phone. The company uses SmarTRAC to monitor gas usage during the interruptions to verify that no one is using gas. Both a primary and secondary contact for each customer is obtained by the company marketing representative through phone contact. No written application is used.

Q7. The company called for an interruption on 1/16/09 – 1/17/09 in which two customers were interrupted and both were in compliance. Another interruption was called on 1/26/09 in which two customers were interrupted and both in compliance. No interruptions were called during 2010. Five interruptions were called in January and February 2011. A total of 22 customers were interrupted and there were no incidents of non-compliance.

Q8. Any customer, except for Human Needs, may have the alternate fuel requirement waived if the customer is willing to cease operations when an interruption is called.

Q9. The need for interruptible customers to maintain backup fuel has not changed during the past ten years.

Q10. NYSEG does not have any reliability issues during a peak day on its' distribution system.

Q11. The current tariff contains a provision to waive alternate fuel requirement at the company's discretion.

Q12. Eligibility to file an affidavit in lieu of filling fuel tanks should only be made available to non-residential distillate fuel customers.

Central Hudson Gas and Electric Corporation (CHGE)

Q1. The company has 68 interruptible customers (sales and transportation) that use a combination of alternate fuels for backup supply.

Q2. Interruptible customers must maintain the necessary standby facilities together with a fuel reserve that will support ten days of the customer's energy requirements. Customer failing to meet alternate fuel reserve requirement will be subject to a special rate on all gas consumed during periods of non-compliance.

Q3. The backup fuel requirements in the company's tariff comply with the Commission's Orders in Case 00-G-0996. Ten days for human needs and distillate fuel users. Five days for electric generation.

Q4. The company provides interruptible customers with the option to submit documentation confirming that arrangements for fuel deliveries during interruptions have been made for the portion of fuel that exceeds what can be stored on-site.

Q5. Central Hudson does not perform physical checks of backup fuel tanks. An annual notification is sent to the customer, then returned, verifying the alternate fuel type and whether the fuel reserve is maintained through on site storage or supply contract. The annual test and performance during interruptions will confirm whether the customer is in compliance.

Q6. The company notifies the customers of the need to interrupt gas service. Customer contact lists are updated annually and contain multiple contacts for each interruptible customer. Contact information includes phone numbers, fax numbers and email addresses. During an interruption, usage is monitored using hourly meter reads.

Q7. No interruptions were called during 2009. A severe weather interruption was called on 1/29/10 to 2/1/10 in which 5 customers were not in compliance. Three severe weather interruptions were called in 2011 where a total of 10 customers were non-complaint. All non-compliant customers were taking interruptible sales service. Transportation customers are generally allowed to continue to use gas if their suppliers arrive at the citygate.

Q8. The company does not provide waivers to the backup fuel requirements.

Q9. The two biggest changes to the company's gas supply in the last ten years are the availability of gas in the market area versus production area and the increase in the retail access program (now accounts for 20% of company's peak day. Interruptible sales load is approximately 2% of peak day.

Q10. The company does not have any reliability issues during peak days as long as the interruptible customers switch to their alternate fuel when called upon.

Q11. The company believes that non-human needs customers should be relieved from the requirement to maintain full alternate fuel reserve during the heating season if that customer agrees to shut down its operations. An affidavit, or other form of suitable documentation must be submitted prior to November 1.

Q12. The company believes that, other than the waiver discussed in Q11, there is no need to revise current provisions in the tariff.

Consumer Power Advocates

This association of large, non-profit universities and medical institutions submitted comments on January 13, 2011 in response to the Commission's December 14, 2011 Notice. The main points that were made included the issue of uniformity. Because of the varied nature of the utility systems, implementing a uniform statewide tariff for interruptible service is not necessary. It is suggested that a more reasonable approach is to continue to allow some variation among the various tariffs. The commenter also mentioned how air quality may suffer when large storage inventories of oil are being used for operations so that customers don't have to carry the costly inventory over the summer months. Finally they are concerned with the cost of a ten day supply of on-site alternate fuel storage and whether these customers may have to increase on-site storage capability.